

United States General Accounting Office Washington, D.C. 20548

**General Government Division** 

B-261993

February 23, 1996

The Honorable Philip M. Crane Chairman, Subcommittee on Trade Committee on Ways and Means House of Representatives

Dear Mr. Chairman:

On May 5, 1995, you asked us to continue monitoring the progress made by the U.S. Customs Service in implementing its reorganization and modernization plan. In November 1995, we agreed with Subcommittee staff to focus our work on three aspects of Customs' reorganization efforts: (1) the downsizing of its headquarters workforce, (2) the streamlining of its field structure, and (3) the status of its core business processes. We briefed the majority and minority Subcommittee staff on the status of these initiatives on January 31, 1996. This letter briefly summarizes the content of that briefing. Information on Customs' systems modernizations will be provided separately.

In 1992, we reported that Customs could not adequately ensure that it was meeting its responsibilities to combat unfair trade practices or protect the American public from unsafe goods.<sup>1</sup> Since then Customs developed a plan, <u>People, Processes and Partnerships</u>,<sup>2</sup> for restructuring its organization and work processes. In January 1995, we testified on the status of the reorganization and modernization efforts.<sup>3</sup>

<sup>&</sup>lt;sup>1</sup>Customs Service: Trade Enforcement Activities Impaired by Management Problems (GAO/GGD-92-123, Sept. 24, 1992).

<sup>&</sup>lt;sup>2</sup>September 1994.

<sup>&</sup>lt;sup>3</sup>Customs Management: Status of Reorganization and Modernization Efforts (GAO/T-GGD/AIMD-95-70, Jan. 30, 1995).

### **HEADQUARTERS REDUCTIONS**

Customs' plan, as presented in its report <u>People, Processes, and Partnerships</u>, was to reduce the number of full-time permanent positions in headquarters by one-third, from 1,800 to 1,200. This goal is to be achieved by the end of fiscal year 1999.

As of December 17, 1995, Customs had reduced the number of positions in headquarters by 233, about 40 percent of its goal. Staffing reductions were achieved through attrition, a headquarters hiring freeze, and a Customs-wide workforce reinvestment program that facilitated the movement of headquarters employees to vacant field positions. Additional headquarters positions to be abolished are not yet known.

## REORGANIZED FIELD STRUCTURE

On October 1, 1995, Customs closed its 7 regional offices and 42 district offices, replacing them with 20 Customs Management Centers (CMC). The role of the CMCs is to provide policy guidance, budget oversight, and certain types of administrative support to Customs' 301 ports.

Many functions formerly performed by the regions and districts, such as hiring and assessing fines and penalties, were being transferred to the ports, on the basis of CMC directors' evaluation of the experience and expertise of receiving ports' staff. It is intended that the CMCs not have day-to-day responsibility at the ports but provide ports with assistance and support for operational matters and also provide training to ensure high quality and uniform services at ports within their area.

The CMC and port directors we spoke with indicated that the transition of responsibility to the ports was proceeding as planned. Port directors were enthusiastic about having more direct control over operational matters. For example, one port was experiencing problems with "port runners" — people attempting to enter the United States illegally by speeding their cars through the inspection lanes. The port director, without going through multiple layers of review by regional and district officials, revised the layout of the automobile processing area to minimize the port runners' success.

Customs officials we interviewed in headquarters, CMCs, and ports agreed that continued monitoring by headquarters and CMCs would be necessary to ensure that (1) CMCs do not assume operational roles that should be performed by the ports, (2) all staff receive needed training to assume their new responsibilities, and (3) automated systems needed to support Customs' operations are implemented as planned.

#### IDENTIFICATION OF CORE BUSINESS PROCESSES

By January 1995, Customs had identified the following three core business processes. Its efforts to define and redesign those processes and their component activities are described below:

- Trade compliance processes, those focused on cargo entering the United States, were defined and redesigned between October 1994 and October 1995. Teams were formed to review individual processes such as informed compliance, targeting, and verification. Customs officials were testing these new processes and expected to have some on-line by November 1996, with full implementation planned for October 1997.
- Outbound processes, those focused on cargo and conveyances (e.g., automobiles, ships, and aircraft) leaving the United States, had been in a planning phase since August 1995. Key issues include currency transfers, stolen automobiles and other goods, nuclear technology transfer, and transshipments of drugs. Customs planned to define and redesign component processes by July 1996 and begin testing process improvements by December 1996.
- Passenger processes, those focused on individual passengers entering the United States by land, sea, or air, were also in a planning phase that began in January 1995. The definition and redesign of component processes are expected to be completed by October 1996. As of January 25, 1996, Customs had not set a target date to complete the testing of these processes. However, testing of a related initiative begun under the auspices of the National Performance Review to improve passenger primary inspections is to be completed by October 1996. This initiative involves participation of other federal agencies, including the Departments of State and Agriculture and the Immigration and Naturalization Service.

Customs officials expressed concern to us that implementation of process improvements was dependent upon a variety of issues. These issues include the successful completion of automation modernization and negotiations with other agencies to reduce paper-based processing requirements.

#### SCOPE AND METHODOLOGY

To obtain information on the status of Customs' headquarters reductions, field reorganization, and core business processes, we interviewed officials and reviewed documents at Customs headquarters, four CMCs,<sup>4</sup> and seven ports.<sup>5</sup> We judgmentally selected the ports for our review based on their locations as ports of entry on the northern and southern borders and east and west coasts; we also visited those ports' respective CMCs. Officials we interviewed included Assistant Commissioners, business process owners, and key headquarters staff; CMC directors and staff; and port directors. We also analyzed but did not verify Customs' personnel and operations data. We conducted our work between July 1995 and January 1996 in accordance with generally accepted government auditing standards.

We briefed the Commissioner of Customs and members of his staff on the contents of this letter on January 30, 1996. They generally agreed with the facts we presented.

We are sending copies of this letter to the Subcommittee's Ranking Minority Member and the Commissioner. If you have any questions about this letter, please contact me on (202) 512-8777.

Sincerely yours,

Norman J. Rabkin Director, Administration of Justice Issues

(264432)

<sup>&</sup>lt;sup>4</sup>San Diego and Los Angeles, CA; Seattle, WA; and Baltimore, MD.

<sup>&</sup>lt;sup>5</sup>Otay Mesa, San Ysidro, Los Angeles-Long Beach Seaport, and Los Angeles International Airport in California; the Ports of Seattle and Blaine, WA; and the Port of Baltimore, MD.

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